

Needham Finance Committee
Minutes of Meeting of October 23, 2013

The meeting of the Finance Committee was called to order by the Chair, Richard Lunetta, at approximately 7:03 pm in the Highland Room at the Town Hall.

Present from the Finance Committee:

Richard Lunetta, Chair; John Connelly, Vice Chair

Members: Richard Creem (arrived 7:15 pm), Louise Miller, Richard Reilly, Lisa Zappala

Also Present:

Kate Fitzpatrick, Town Manager

David Davison, Assistant Town Manager/Finance Director

Dan Matthews, Chairman, Board of Selectmen

Lee Newman, Planning Director

Bruce Eisenhut, Chair, Planning Board

Hank Haff, Project Manager, Needham Public Facilities

Ann Dorfman, Superintendent, Recycling and Solid Waste Department

David Harris, Solar Energy Exploratory Committee (SEEC) Member

Jonathan Bracken, SEEC Member

Ed Friedman, SEEC Member

Beth Greenblatt, Beacon Integrated Solutions

Anne Gulati, Needham Public Schools, Director of Operations

Steve Popper, Director of Design and Construction, Public Facilities – Construction Division

Special Town Meeting Warrant Articles Discussed

Article 2: Appropriate for Feasibility Study/Hillside School

Article 6: Amend Zoning By-law/ Large-Scale Ground-Mounted Solar Photovoltaic Installation Overlay District

Article 7: Amend Zoning By-law/ Map Change to Large-Scale Ground-Mounted Solar Photovoltaic Installation Overlay District

Article 8: Appropriate for Solar Facility Development Expenses

Article 9: Amend General By-Law – Type and Length of Contracts & Leases/ Solar Facilities

Article 10: Authorize Lease of Land for Ground Mounted Solar Photovoltaic Installation

Article 11: Authorize PILOT for Solar Voltaic Installation

Citizen Requests

There were no requests to address the Committee.

Approval of Minutes of Prior Meetings

MOVED: By Ms. Miller that the Finance Committee approve the minutes of the meeting of October 9, 2013 as distributed. Ms. Zappala seconded the motion. The motion was approved by a vote of 4-0. (Mr. Connelly abstained, since he had not been present on October 9; Mr. Creem had not yet arrived.)

Special Town Meeting Warrant Article 6: Amend Zoning By-law/ Large-Scale Ground-Mounted Solar Photovoltaic Installation Overlay District and Article 7: Amend Zoning By-

law/ Map Change to Large-Scale Ground-Mounted Solar Photovoltaic Installation Overlay District

Ms. Newman stated that Articles 6 and 7 set up a new large-scale ground-mounted photovoltaic installation district. Article 6 sets out the regulatory framework and Article 7 zones the area in an overlay district. She stated that Article 6 provides the standards for the operation, modification, and eventual removal of the photovoltaic equipment, which must be done within 150 days of the end of its useful life. The Article allows for the new photovoltaic use as of right, but subject to the Planning Board review of the plan. Mr. Eisenhut stated that the Planning Board has less oversight than a permit. He noted that it will be important to consult bankruptcy counsel when negotiating the contract because these types of companies are often one-use companies and are more prone to bankruptcy, so the Town needs to protect itself. Ms. Newman described the setbacks, the maximum lot coverage and the maximum height of the structure. She stated that there can be no installation of large-scale ground-mounted photovoltaic equipment without having interconnection as well as a power purchase agreement. Ms. Miller asked why the lot coverage is restricted to 50%. Mr. Eisenhut stated that the Planning Board had extensive discussions and this restriction was made to allow more green space. Ms. Miller stated that this is a good project, and that it will not limit the RTS. Mr. Reilly asked about roof photovoltaic equipment. Mr. Haff stated that that is allowed as of right under State law.

MOVED: By Ms. Miller that the Finance Committee recommend adoption of Special Town Meeting Article 6: Amend Zoning By-law/ Large-Scale Ground-Mounted Solar Photovoltaic Installation Overlay District. Mr. Reilly seconded the motion. There was no further discussion. The motion was approved by a vote of 5-0. (Mr. Creem had not yet arrived.)

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of Special Town Meeting Article 7: Amend Zoning By-law/ Map Change to Large-Scale Ground-Mounted Solar Photovoltaic Installation Overlay District. Ms. Zappala seconded the motion. There was no further discussion. The motion was approved by a vote of 5-0. (Mr. Creem had not yet arrived.)

Special Town Meeting Warrant Articles:

Article 8: Appropriate for Solar Facility Development Expenses

Article 9: Amend General By-Law – Type and Length of Contracts & Leases/ Solar Facilities

Article 10: Authorize Lease of Land for Ground Mounted Solar Photovoltaic Installation

Article 11: Authorize PILOT for Solar Voltaic Installation

Mr. Harris stated that the Solar Energy Exploratory Committee (SEEC) expected that the proposed project would bring the Town \$10-\$20 million from a currently unused asset. He stated that the SEEC looked at the economics of the project and reviewed what other towns had done, the potential incentives, and the regulatory issues. He stated that the DEP is a strong advocate of using prior landfills for solar projects. He stated that this site is particularly suited for a solar project, because of the slope and orientation, while it is not suited for other uses because of wind and parking issues. He stated that the RFP was issued under Chapter 25A because they felt that was most advantageous. He stated that they received 11 responses, though they only expected six. Four developers were interviewed, and the SEEC is in the process of

evaluating and ranking the developers. Mr. Lunetta asked why this project seemed appealing to developers. Mr. Harris stated that there are few potential projects in the Boston area. Because the orientation of the site is good, it is for developers to determine the value of the project. He noted that as the state cap on net metering credits is getting closer to being reached, the window for these types of developments is shrinking. He stated that the support of the project at this time is important. The analysis originally projected that the project would produce two megawatts of power, but that has been amended to 3-5 megawatts. If the public net metering cap is reached before this project is established, the Town could work within the private cap, but the maximum allowable output is one megawatt, which would reduce the value of the project by approximately $\frac{1}{4}$. He stated that in the proposed project, the Town would lease the land to a private company that would finance, install and maintain the entire project, then sell electricity to the Town. The Town would get NStar credit for that power and as well as payment under the PILOT agreement.

Ms. Greenblatt stated that the RPF was issued under Chapter 25A, which is designed for energy management procurement, and is limited to a 20 year agreement. While photovoltaic contracts can be longer, the plan is to have a 20-year agreement then to decommission the equipment. Mr. Connelly asked if NStar will charge a premium, overhead or other expense to the Town. Mr. Bracken stated that it would not. Ms. Greenblatt stated that the credits that the Town would receive are based on the amount of energy put into the grid, and the energy data is carefully metered and well documented. Mr. Harris stated that that project will be well within the lot coverage restrictions, using 11 of 71 acres. He stated that the height will depend on which equipment is used, but could be 12-15 feet high. Mr. Lunetta asked if snow would interfere with production. Mr. Harris stated that snow on the panels does stop production, but it is in the interest of the developer to clear it. Mr. Bracken stated that there will be a guarantee of production, so the contractor must make the Town whole if a certain level of production is not achieved. Mr. Haff noted that winter is a low production time. Ms. Miller asked what would happen if the Town did not use its credits under net metering. Ms. Greenblatt stated that if the credit is not consumed in one month, the credit carries forward.

Mr. Harris distributed a handout with a spreadsheet showing its revised projections of economic benefits of the project. The SEEC increased its original assumption that the output would be approximately two megawatts to four megawatts based on the proposals received which stated that optimized output is anticipated to be at least four megawatts. Ms. Miller asked how the developers could afford to make any profit under the agreement. Mr. Harris stated that there are many factors that go into their costs such as the size of the system and the financing. Also the value of the NStar credits is more favorable than was assumed earlier. Mr. Davison stated that the NStar credits will be applied to the Town's electricity bills proportionate to the amount of electricity used. As a result, the benefit will end up in the General Fund, for the most part. Ms. Miller noted that some savings will go to the Enterprise Funds. Mr. Davison stated that the Town appropriates for energy costs annually, and additional money would be turn-back at the end of the year. Town Meeting could redirect the unspent money to other purposes, otherwise it will close out to free cash.

Mr. Connelly stated that the Town has a potential \$12 million benefit in 20 years. He asked how this is beneficial to the developers and whether the Town should do the project itself. Mr. Harris stated that to run the solar project itself, the Town would take on risks of maintenance and operation, as well as needing to bring in additional expertise, and also to enter the SREC market. He stated that developers get a significant federal and state tax credit on their investment that would be different for a municipality. He stated that the developers gain from the SREC values.

He stated that the State is proposing new values for SRECs that would depend on where the power is generated, which would be higher for landfills. Mr. Harris stated that a vendor they are considering makes an assumption on SREC returns, and is willing to give some additional benefit to the Town. Mr. Reilly asked if the Town would have the opportunity to look at the books of the developer. Ms. Greenblatt stated that will be included in the process. Mr. Connelly asked what types of insurance will be required of the developer to protect the Town. Mr. Haff stated that there are insurance requirements, and that the developer is in the business so knows that they are aware of the issues surrounding the capped landfill. Mr. Connelly asked if there will be a bond for the cost of dismantling the equipment. Ms. Greenblatt stated that there may be a bond, or an escrow. Mr. Harris stated that the value of the scrap is greater than the cost of taking the equipment down.

Ms. Zappala asked about the performance guarantee of 85% of expected output. She stated that they need to make sure it cannot refer to 85% of nothing, and that there should be insurance to protect that guarantee, though the developer may want a premium. Ms. Greenblatt stated that the Town did not receive any proposal with a premium. She stated that the developers get a warranty from the panel manufacturer, and also purchase an additional warranty. She stated that any production over the expected amount will come to the Town. Mr. Reilly asked what could happen to make this not work well for the Town. Mr. Harris stated that if the state changes the net metering credit, that could be a problem, but there is no reason that it would happen, since the credits provides incentives for solar power, and do not cost the State. Mr. Reilly asked how much was paid to the consultant. Mr. Haff stated that the cost has been \$12,500 for Phase I, but the contract needs to be extended.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of Special Town Meeting Special Town Meeting Warrant Article 8: Appropriate for Solar Facility Development Expenses. Ms. Miller seconded the motion. There was no further discussion. The motion was approved by a vote of 6-0.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of Special Town Meeting Special Town Meeting Warrant Article 9: Amend General By-Law – Type and Length of Contracts & Leases/ Solar Facilities. Ms. Miller seconded the motion.

DISCUSSION: Ms. Miller asked whether the 30 year allowance in the by-law for the lease of land was needed when the power purchase agreement is limited to 20 years. Mr. Haff stated that it provides the flexibility to extend the lease beyond 20 years, and also to provide time to build before the power is generated.

VOTE: The motion was approved by a vote of 6-0.

Mr. Connelly stated that he was not ready to vote on Article 10. He stated that he wanted to know which developer is being proposed to the Board of Selectmen. He stated that he would like to defer the vote until after the presentation to the Board so that he can understand the basis of the recommendation.

MOVED: By Mr. Reilly that the Finance Committee recommend adoption of Special Town Meeting Special Town Meeting Warrant Article 11: Authorize PILOT for Solar

Voltaic Installation. Ms. Zappala seconded the motion. There was no further discussion. The motion was approved by a vote of 6-0.

Special Town Meeting Warrant Article 2: Appropriate for Feasibility Study/Hillside School

Mr. Lunetta stated that he has tried to allow the Finance Committee to remain politically neutral in the issues that have arisen surrounding this article. He urged the Committee to consider the proposed \$650,000 appropriation on the merits. Mr. Matthews stated that the funding of the study has become charged due to the underlying issue of what sites the study will examine. The MSBA does not want the article language to change. He stated that the consensus of a majority of the Board of Selectmen is that the School Committee should study the feasibility of sites for which it has control or the support of the party that has control. He stated that the School Committee has control over the Hillside School site, and that the School Committee and the Selectmen have combined control over DeFazio Field, and the Board of Selectmen has no objection to studying that property. However, the Park and Recreation Commission has control over Cricket Field, and has no interest in allowing a School building there. He stated that the School Committee says that it respects jurisdictional boundaries, but must include Cricket in the study for completeness. He noted that it would probably be cheapest to build there. The majority of the Board of Selectmen would like to take Cricket Field off the table. He stated that the division in Town is getting worse, and that people are threatening to vote Selectmen out.

Mr. Matthews stated that it is important to move forward with this article to get into the current round of consideration for funding, since the demand for MSBA money is increasing. He stated that the Selectmen are not planning to propose any amendments to the article language though they are opposed to studying Cricket Field. Ms. Miller asked how the MSBA can dictate the areas of study. Mr. Matthews stated that there is significant money at stake, so it is best to go along with what the MSBA wants. Ms. Zappala asked if the site that the Town would support is more expensive than another option, whether that will limit the amount of reimbursement. Ms. Gulati stated that it could. Mr. Popper stated that the MSBA is spending the State's money and must do it in the most efficient and cost effective way. Mr. Connelly stated that if the Town chose to build in a more expensive location, he would expect some reimbursement but not at a premium rate. Mr. Lunetta stated that the risk seemed to be that the MSBA will be leading the Town somewhere it does not want to be. Mr. Matthews stated that there is a group that wants a school at Cricket, and it comes down to a subjective policy issue. Mr. Lunetta stated that he would like to see the money put aside for a study, but he is troubled that one entity is challenging another. Ms. Miller stated that it is important to understand that if the school were built at Cricket, the Town would have to replace the Cricket fields with additional fields at the current Hillside School site. Those costs should be taken into consideration. Mr. Reilly stated that if Article 2 passes, the Town will study the areas the MSBA says to study. Cricket will be included even if the Town does not want it. Mr. Matthews stated that there will be opportunities for the Town to speak out.

Mr. Reilly suggested that the role of the Finance Committee is not to say where the school should be, but to seek sufficient facts so that Town Meeting can be informed about the financial implications of the decision to fund the study. If the Committee recommends a study that excludes an area that could have a significant financial impact, then it is not doing its job. He stated that it is the Committee's responsibility to consider the options, and not to decide whether to save green space. He stated that the Committee should drive to ensure an informed decision, but not what it considers a "right" decision. That is not done if an option is excluded. Ms.

Zappala stated that the Town needs to make sure that the study results are as informed as possible. The MSBA will want to see the study cover different areas for comparison. She questioned if the funding in the article was sufficient. Mr. Popper stated that the consultant stated the cost would be \$600-\$700K, with assumptions built in. He stated that they will need more resources for more areas of study. He stated that it can be done for \$650K, though he would be more comfortable with \$700K. Ms. Fitzpatrick stated that if the article increased by \$50K, the money would need to come from somewhere else in the warrant such as cash capital. It would be up to the Moderator whether to allow that. Mr. Matthews stated that Town Counsel stated that the article language restricts the study to the current Hillside School site unless the word “currently” is added before the word “located.”

MOVED: By Ms. Zappala that the Finance Committee recommend adoption of Special Town Meeting Special Town Meeting Warrant Article 2: Appropriate for Feasibility Study/Hillside School, with the word “currently” added before “located” if allowed by the Moderator. Mr. Connelly seconded the motion.

Mr. Reilly stated that if the word “currently” is not added, and Town Counsel states that the study would be limited to the Hillside site, then he is opposed. Ms. Miller stated that she supports the Board of Selectmen recommendation. She does not want to spend money on a study of a project that will not be supported by the Selectmen. Mr. Matthews cautioned that any amendment to the article could indicate to the MSBA that the Town does not want to go forward with the project, since the Town has not yet been invited into the process.

WITHDRAWN: Ms. Zappala withdrew the motion.

MOVED: By Ms. Zappala that the Finance Committee recommend adoption of Special Town Meeting Special Town Meeting Warrant Article 2: Appropriate for Feasibility Study/Hillside School, as written. Mr. Creem seconded the motion. The motion was approved by a vote of 5-1, with Mr. Reilly dissenting.

Mr. Popper stated that it is important that the Town understand that if the MSBA is involved, the Town does not have unilateral control. He stated that it is important to the study that there is some mechanism of control over the property being considered, and he cannot see going forward with a property where there is no jurisdiction.

Finance Committee Updates

Mr. Lunetta stated that the Finance Committee would be submitting its budget request to the Town Manager, and asked whether the Committee was interested in adding funds for a consultant for an annual retreat. Ms. Zappala stated that other committees do not have such additional expenses. She stated that she felt, as the financial watchdogs, the Finance Committee should not make such a request.

Adjourn

MOVED: By Mr. Reilly that the Finance Committee meeting be adjourned, there being no further business. Ms. Miller seconded the motion. The motion was approved by a vote of 6-0, at approximately 9:05 p.m.

Documents: November 4, 2013 Special Town Meeting Warrant; Map of Large Scale Ground Mounted Solar Photovoltaic Installations overlay District; Top Ranked Optimized Offer – Net Metering; Impact of Net Metering on Annual Electric Costs.

Respectfully submitted,

Louise Mizgerd,
Executive Secretary/Staff Analyst

Approved December 16, 2013